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United States Circuit Court of Appeals

FOR THE

NINTH CIRCUIT.

THE BRUSH ELECTRIC COMPANY,

Appellant,

vs.

CALIFORNIA ELECTRIC LIGHT CO.,

SAN JOSE LIGHT AND POWER

AND THE ELECTRIC IMPROVE-

MENT CO., OF SAN JOSE,

Appellees.

In Equity.

APPELLANT'S REPLY BRIEF.

HENRY F. BOWIE,

Solicitor for the Brush Electric Co.

Filed this day of July, 1892.

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Appellees' statement of facts is erroneous and therefore misleading.

In their brief counsel say:

"This suit was brought by the Brush Electric Company, an Ohio corporation." (Appellee's Brief, p. 1.)

The *fact* is the suit was *not* brought by the Brush Electric Co., but by two other companies claiming to be licensees of the Brush Co., and, as this Court has decided, these latter joined with them as a plaintiff the Brush Co. (Opinion of the Court, p. 1.) The distinction is fundamental.

Again counsel say:

“The California Co. has granted the San Jose Co. a license for the towns of San Jose and Santa Clara.” (Appellees’ Brief, p. 2.)

In the bill the San Jose Co. is alleged to be the exclusive licensee to use, rent and sell and to vend to others for use and sale within the limited territory the inventions in letters Patents 219, 208, (tr., p. 4) and the Brush Co. is made to allege that it and the California Co. have not granted licenses to any other person “other than the exclusive license given and granted as aforesaid to your orator, the San Jose Co.” (Tr., p. 4). And Sub. VI, of the complaint, (Tr., pp 3, 4) shows the Brush Co. to be the owner of the patent—the California Co.—to be exclusive licensee for California, Washington, Oregon and Nevada, and the San Jose Co. the *exclusive licensee for the full term of said letters patent* for the towns of San Jose and Santa Clara.

Turning to p. 21, of Appellees’ Brief, we find, to our astonishment, as follows: “We have not

“assigned the license, nor any part of it. According to the bill *we have merely granted to the San Jose Company an exclusive right to operate the invention in San Jose and Santa Clara.*”

This “mellifluous circumlocution” needs no comment. It only requires that contrast which the bill of complaint supplies.

Look here, on this picture and on this.

“The defendant in this case is a licensee (indirectly) of the Thompson-Houston Company.” (Appellees’ Brief, p. 4.)

What a “licensee indirectly” may be is not explained.

Do counsel claim that service upon such “indirect licensee, in this case, we assume, the Improvement Co., works backwards, reaching in turn the Fort Wayne Company, thence through it the Thompson-Houston Company, thence and through it the Brush Company, and that thus the Brush Company is in Court?

This is to reverse the order observed in the Brush-Swan case (18 Fed., 232) where the Court allowed the doctrine to apply of service upon the T. H. Company reaching the Brush Company because a majority of its stock was owned by the T. H. Company.

There is no authority in law for thus reaching a corporation with process.

“It is also conceded by all that such a licensee “can not sue alone, but must join the owner of “the legal title as a co-complainant.” (Appellees’ Brief, pp. 6, 7.)

Counsel err. We concede nothing of the kind in the sense claimed. The Brush Co.’s position on this proposition is that a mere licensee can neither sue *alone* nor otherwise to restrain an infringement by a stranger.

The legal owner of the patent *alone* has that right and responsibility, and in equity he can join the licensee with him if necessary. *Waterman vs. McKenzie*.

Three decisions of the Circuit Courts and two text writers are cited by appellees to sustain their contention—that the licensee can use the name of the owner of the patent in infringement suits.

In appellant’s brief these citations are shown to be without authority, unsound and unsupported. The decisions are not by Courts of last resort. They have no more weight as authority in this Court than any decision of a *nisi prius* Court would have in a Court of Appeals.

If a licensee cannot sue at law or in equity in his own name, it is because he does not own or control the legal title, and only the owner of the legal title can sue. But if the owner of the legal title is under the dominion of the licensee with reference to such suits the rule is an empty one, for

all the licensee need do to evade it is to use the owner's name as plaintiff in the suit as attempted here.

The theory of opposing counsel seems to be that because the patentee has the right to sue and can join the licensee with him as a co-plaintiff in equity, therefore the licensee has the right to sue in equity and join the patentee with him as a co-plaintiff.

But the right of the patentee to sue is statutory and depends upon his ownership of the legal title to the monopoly.

Upon what foundation this unwarranted pretension of the licensee rests, appellees have failed to show.

The books are full of instances where the licensee has braved the rule and sued in his own name but always to his complete confusion and disaster. In every instance he has been turned out of court. The Federal Courts have always sustained demurrers to complaints brought by licensees, where the licensor, owner of the patent, has not joined in bringing the action. But this is the first case on record where the licensee has gone a step further and not only sued in his own name as licensee but also in the owner's name without the latter's authority, consent, or knowledge. So that this court is brought face to face with the proposition: Who controls the right to litigate the patent, the owner or the licensee? The authorities all say

the owner, whether he be patentee, assignee, or grantee. The California Company says the licensee. So that the incident controls the principle. The case at bar shows the danger of such a proposition. The California Company alleges its co-plaintiffs, the Light and Power Company, to be a licensee of the Brush Company, *and the Brush Company is made, by this use of its name, to thus affirm what has no foundation in fact.*

It must surely be admitted that the Brush Company is not suing here, although its name is used, nor does it appear that it was requested to sue, and the cases all say only the owner of the legal title can sue, not "can be used and compelled "to sue against his will or authority."

When the law says a *licensee* can not *sue* in his own name, it means that *he* can not use his name as a plaintiff, but that the patentee, or the owner of the legal title can sue and join the licensee as a co-plaintiff; so that while the LICENSEE can not use his own name as a plaintiff, the LICENSOR can do so if necessary. And *Waterman vs. McKenzie*, supra, says that any rights of the licensee must be enforced through the owner of the legal title, and "perhaps if necessary to protect the rights of all "persons, joining the licensee with him as a plain-
"tiff."

The licensee can not sue in his own name; can

he sue in anybody else's name? If he can not sue in his own name, he certainly can not sue in the name of one who under the statute is alone recognized as having the right to bring an action in his own name, unless that one consents; for otherwise the Court must imply a greater power from the absence of a lesser one. The Statute says that a patentee, an assignee or a grantee, can sue in his own name, and the decisions follow this up with an additional rule that a licensee can not. And the reason that a patentee, assignee and grantee can sue, while a licensee can not, is that the first three own and control the legal title, while the licensee has no interest whatever in it. And yet what has the licensee done here? Has he sued in his own name? He certainly has. He has also sued in the patentee's name; and the San Jose Light and Power Company has also done the same thing.

Nor would it be correct to say that a licensee under no circumstance can sue in the name of the licensor, for the licensor may covenant that the latter may use his name; he may sell him that right. Hence, a licensee may sue in his licensor's name when the licensor permits him. Therefore the meaning of the rule that a licensee can not sue in his own name, is that not being a plaintiff in his own right, if he has the right to sue, it is *not* by virtue of being a licensee, *not* by virtue of

the ownership of the legal title, as in the case of patentee, assignee or grantee, but by virtue of some other rights outside of a mere license, as for example, an express covenant permitting the use of the licensor's name, or power of attorney, or other instrument, vesting that right by express stipulation or provision.

Why imply an authority to sue in the patentee's name from a disability in the licensee to sue in his own name? The reason of the disability is that he neither owns nor controls the legal title; and yet that very disability is claimed to vest in him a greater control over the legal title than the owner himself is conceded; for under such implied power the licensee can force the owner to litigate the validity of the legal title for the benefit of the licensee, against both the will, judgment and discretion of the owner of the monopoly. Nay, more than that; the licensee here actually excludes the owner from all control of the litigation of his own property. Aye, even more; he commits the owner of the patent in this very litigation conducted in its, the patentee's name, to allegations touching its property rights and patent interests, and makes it declare under the sanction of Mr. Roe's oath and in the form of a bill of complaint filed in the action that it has licensed the San Jose Company to use the invention in the territory where the infringement is laid, and that the same unlimited

control over the patent and its fate has been conferred upon this unknown, self-styled licensee of the Brush Company, as is claimed by the California Company.

The learned counsel for the California Company have failed to produce a single adjudicated case, either in the Circuit Court or in the Supreme Court of the United States which lays down the proposition for which they contend, and by which they must stand or fall. No case can be found in the whole realm of jurisprudence touching patent law, which decides that a licensee has the *implied* absolute, indefeasible vested power to control the litigation of the patent right. In the only case which even approaches the subject, *The Brush-Swan Company vs. The T. H. Company*, J. Shipman distinctly declines to lay down such a proposition.

The interest conveyed to a licensee simply operates to prevent the prohibitory powers being exercised by the owner against the licensee. And that is the sole relation to the patent of the interest transferred. (Robinson on Patents, Section 754.)

The proposition of law that a licensee can not sue in his own name is simply a convenient way of stating the third term of a syllogism, of which the major and minor premisses are as follows:

1. None but the owner of the legal title can sue in his own name for an infringement.
2. A licensee does not own the legal title—
3. Therefore, a licensee can not sue in his own name for an infringement.

The California Company would turn this third term into a major premiss—thus:

1. A licensee can not sue in his own name.
2. A patentee can sue in his own name, for he owns the patent.
3. Therefore a licensee can sue in the patentee's name.

But this is a complete *non sequitur*.

Counsel claim (Appellees' Br., p. 18-19) that their position is "rendered absolutely unassailable" when it is remembered that the Brush Co. gave its express consent to sue the E. I. Co. of San Francisco, which owns 3750 out of 5000 shares of the defendant Improvement Co.

Counsel unfortunately overlook, or unconsciously distort, a material fact. The Brush Company in the suit referred to *brought the action itself*, drafted the bill, verified it, sent it from Ohio to this Circuit to be filed, dispatched its own counsel to try the case and controlled the litigation

thereof throughout. It did not give the California Company the right to sue, but it brought suit and joined the California Company with it as a co-plaintiff at the latter's urgent request.

"The right," say counsel, (p. 19) "to sue the latter, the parent company, includes the right to sue the former, its mere agency."

A "perfect answer" to this is that it assumes the California Co.'s right to sue here against the will of the Brush Co., from the fact that in another suit the Brush Co. joined the California Co., and at the latter's request as a co-plaintiff in the Brush Co.'s action for an infringement. In other words, the Brush Co., as the owner of the patent, sued in a former action, joining the California Co. at its request with it. therefore the California Co., not owning the legal title to the patent, nor any interest in the title, can in the present action sue joining the Brush Company against its will and authority as a co-plaintiff with it in an infringement suit!!!

The claim that a delegated authority to sue one company includes by implication the authority to sue all other corporations in which that company holds stock whether more or less than a majority, might be discussed in a case where such delegated authority had been shown, and it would need little argument to prove then the unsoundness and extravagance of such a proposition. Here the

question does not arise except in the disturbed imagination of counsel

To infer in the California Co. an authority against the owners will, to sue in his name, from the fact that in a previous suit by the Brush Co., owner, the California Co. was, at its request, joined as a co-plaintiff, is certainly a bold and unwarranted assumption; when it is remembered that the same power is claimed for the San Jose Co., the monstrous character of the contention is manifest.

Counsel recognize the propriety of the rule compelling them to make the Brush Co. a defendant, and frankly say (p. 16) they would be "only to glad to do so" if the Brush Co. were an inhabitant of this district, but that they cannot reach the company with process as it is an inhabitant of Ohio.

This admits what we have always claimed, that counsel have no right to act as the solicitors of the Brush Co. in this action.

It further admits that they have made that Company a plaintiff because they could not get jurisdiction over it in this district if made a defendant.

And this "inaccessibility" of the Brush Co. in this district is urged by counsel as a reason why the Acts of Congress requiring corporations to be sued at their domiciles should be evaded, and that this Court assume a jurisdiction over the

Brush Co. as a forced plaintiff because the California is unwilling to go to Ohio and there sue in the proper forum, if it really thinks itself wronged.

Counsel claim (p. 18) that it is so unreasonable for the California Co. and its men of brains and capital to place themselves at the mercy of infringers, that it overtaxes human credulity. But it seems to us as very much more unreasonable to believe that the Brush Co. would surrender—and by implication—the control of the litigation of its patent rights to any and all persons whom it might authorize to sell or use its carbon lamps.

The present case is not one of California capital and genius against an Ohio company in the invidious sense suggested, but simply a controversy between corporations, citizens of the United States, all of whom in the Courts of the United States are entitled to and will receive equal consideration and protection before the law.

Counsel admit (p. 7) that this suit can not be maintained without the presence of the Brush Co.

Has that presence been secured and jurisdiction obtained of this necessary party by merely naming it as a plaintiff—against its will and authority—and will this Court thereupon proceed to adjudicate its rights in its absence and without appearance or process because, forsooth, the appellees gladly would (p. 16) but can not reach it by process if they made the Brush Co. a defendant?

This is little less than legal heterodoxy.

Counsel claim that if the Brush Co. be dismissed there will be a wrong suffered by the appellees without a remedy afforded. But we think that instead of a wrong without a remedy, the case is one where a right is asserted without warrant of law, and an attempt made through such unwarranted assertion to obtain dominion and control over the property of another—by mere force of assertion—without submitting the claim to the adjudication of a court having jurisdiction over the person against whom the claim is made.

As well assert title to realty on the strength of an alleged covenant to convey.

This is not a failure of justice; it is a failure to sue in the right forum; nor is it a wrong without a remedy, but an alleged wrong which, when properly presented in a Court, which has jurisdiction of the defendant Brush Co., will be adjudicated. Whether or not the California Company has the rights it now asserts against the Brush Co., and seeks to secure without trial or judgment, but by force alone of its own writ of execution will then be determined.

From the tone and temper of counsel's brief it must be very apparent to the Court that the hostility they have alluded to is entirely upon the side of these two California corporations plaintiff on account of the Brush Co's not permitting them to

usurp its functions and prerogatives vested in it by the laws of Congress. Indeed, this *hostility* of the two appellees is so intemperate and reviling that, not content with lesser charges of "pretense and sham," (p. 21) their counsel rise in a steady crescendo of abuse until the climax of vituperation is reached and the Brush Co. is branded a swindler. Nor does this bitter and unpardonable language suffice. The very dying gasps of these two corporations breathe fury and hate and the Brush Co. is made to bear the vicarious burden of being accessory to "a cold-blooded iniquitous scheme" to wipe out California genius! Even Lord Camden is called to witness this last infamy.

We ask, after all this, on whose side is the hostility? It would seem the Brush Co. had nurtured a viper.

In this connection the decision of Blatchford, Justice, in *Morgan vs. K. P. R. Co.*, 15 Fed., 55-6-7, is so apposite that we ask permission to cite it almost in extenso: "Lewis being the trustee under the mortgage, is the proper party plaintiff in a suit of this character, and some good reason must appear of record why he does not sue as plaintiff, and in such case he must be made defendant. The bill recognizes this necessity, and hence makes the averments referred to. The averment as to the request to Lewis is controverted, but it is not proved on the part of the

"plaintiff. It would be necessary to prove it even
 "though Lewis were served with process or ap-
 "peared. It is not alleged in the bill that he is
 "beyond the jurisdiction of the Court, nor is that
 "fact proved. The bill, it is true, describes Lewis
 "as 'of the city of St. Louis,' and as 'a citizen of
 "'the State of Missouri.' But that is not suffi-
 "cient. And even if it were shown that Lewis was
 "not and could not be found within this district,
 "to be served with process, there is nothing in
 "Section 737 of the Revised Statutes which makes
 "it proper for the Court to adjudicate the suit
 "without the presence of Lewis, because the issue
 "as to whether Lewis refused to sue, as stated, is
 "one on which Lewis must be heard, and under
 "Section 737 he can not be concluded or preju-
 "diced by a decree rendered in his absence. The
 "Statute can not be construed so as to convert real
 "parties and necessary parties into no parties at
 "all. There is in this case no suit to adjudicate
 "unless Lewis be plaintiff or unless if he be de-
 "fendant, he be served or appear. Rule 47 in
 "equity is to the same purport. It makes it dis-
 "cretionary with the Court to proceed, as does
 "Section 737. For the foregoing reason, and with-
 "out deciding expressly or impliedly any other ques-
 "tion raised in the case, the only disposition that
 "can now be made of the suit is to dismiss the

“bill with costs, but without prejudice to any other suit in any other Court.”

There are several other extravagant positions advanced by counsel for appellees, but in view of a recent decision of the Supreme Court of the United States made since this appeal was taken, we think the whole controversy is closed and disposed of in favor of the Brush Electric Company. The case is entitled *Pope Mfg. Co. vs. Gormully et al.*, 144 U. S. Rep., p. 248.

The question involved was whether a patentee could split up his patent into as many different parts as there are claims, and vest the legal title to those claims in as many different persons, so as to enable them to sue for an infringement?

Upon the authority of *Gaylor vs. Wilder*, 10 Howard, 477, and *Waterman vs. McKenzie*, 138 U. S., 252, 11 Supreme Court Reporter, 334, the Court in affirmance of those leading authorities, holds the interest conveyed or assigned was that of a mere license. The Court says that while the question involved in *Gaylor vs. Wilder* was different from the one involved in this case, “*the trend of the entire opinion is to the effect that the monopoly granted by law to the patentee is for one entire thing, and that in order to enable the assignee to sue, the assignment must convey to him the entire and unqualified monopoly which the patentee held in the territory specified, and that any as-*

“signment short of that is a mere license.” The Court then cites with approval the remarks of Chief Justice Taney, in *Gaylor vs. Wilder*, that the “LEGAL RIGHT IN THE MONOPOLY REMAINS IN THE PATENTEE, AND HE ALONE CAN MAINTAIN AN ACTION AGAINST A THIRD PARTY WHO COMMITS AN INFRINGEMENT UPON IT.”

Respectfully submitted,

HENRY P. BOWIE,

Solicitor for Brush Electric Co.

The following citations from Robinson on Patents, Vols. II and III, are given for the convenience of easier reference.

“*The prohibitory power* can not exist apart from “the property in the invention.” Section 735: “Every conveyance which leaves in the owner of “the patented invention, any distinct independent “right therein * * * can have no effect on the “monopoly, except as it estops the owner of the “patent from asserting his prohibitory powers in “opposition to the rights conferred by him upon “his alienee.” Section 758: “If the conveyance “leaves in alienor any exclusive right whatever in “in the invention * * * the monopoly is not “transferred and the conveyance is a license.” Section 763: “An action for infringement * * * “directly involves the existence or the scope of the “monopoly or the title to the patent. A denial “of infringement controverts the patentability of “the invention or the title of the patentee, or the “scope of the monopoly, and thus puts in issue the “existence of the monopoly so far as the acts of “the alleged infringer are concerned.”

Section 861. “A license transfers an interest “in the invention and estops the licensor from in- “terfering with the enjoyment of such interest by “asserting his monopoly against the licensee. If “the license is an express license the rights of the “licensee and the estoppel against the licensor are

“defined by its specific terms. If the license is implied the duties and obligations of the parties are defined by law.”

Section 938 says “it is part of the implied agreement between the licensor and licensee that the former will protect the latter * * * * and the licensee may sue *at law* for damages in the licensor’s name if the owner refuse, and such suit is under the control of the licensee.

Hill vs. Whitcomb, 5 O. G. 430,

Shepley, J: “To enable the purchaser to sue, the assignment must undoubtedly convey to him the entire and unqualified monopoly which the patentee held in the territory specified excluding the patentee himself as well as others. Any assignment short of this is a mere license, and the legal right in the monopoly remains in the patentee, *and he alone can maintain an action against a third party* who commits an infringement upon it.”

This citation is in Note 3 to Section 941, Robinson on Patents.

Section 937. “The law which defines and authorizes this monopoly confers only upon its legal owners the right to institute proceedings for its violation. These are the patentee, assignee and grantee.”

Section 944. "The proper plaintiff in an action
 "for infringement must institute the suit in his
 "own name according to the character imposed
 "upon him by the local law."

See Section 975, Note 2.

Again, if the license gives the implied right to
 sue in the licensors name, it would be quite super-
 ogatory to provide that he can not sue in his
 own name.

The limitation is on the right to sue—the rea-
 son being only the legal title can sue—and the re-
 striction is to protect the legal title, not extend
 the licensors rights.

Section 1098 is as follows: "A licensee, al-
 "though unable to sue in his own name at law,
 "may be a plaintiff in a Court of equity if the in-
 "fringing acts of the defendant impair the value
 "of his license *and may be joined as plaintiff with*
 "*his licensor, the owner of the patent*, or may sue
 "alone when the licensor himself is the infringer."

Sec. 1099. "A licensee can sue alone in equity
 "when his licensor is the infringer and is made
 "defendant, but not otherwise."

Sec. 1101. "Licensees cannot sustain an action
 "in their own names alone except when the
 "licensor is the infringer, but must sue in the
 "name of the patentee from whom they derive

“their licenses, and with whom they may join themselves as plaintiffs.”

(The cases cited in note 5 to sustain this, fail to maintain the proposition of the text.)

Sec. 1243. “The only universal right in licensees against their licensors consists in the enjoyment of the privileges conferred upon the licensees without the assertion against them of prohibitory the powers of monopoly.”

Sec. 1246. “An agreement of the licensor to sue infringers and to use due diligence in protection of the licensee subjects him to an action if he neglects this duty; such agreements do not oblige him to attack those whose claims are based on adverse patents, or estop him from averring that his efforts would be fruitless on account of the invalidity of his own patent.”

In addition to the cases cited in a previous brief we rely upon the following :

Pope Mfg. Co. vs. Gormully, 144 U. S. 248.
254.

Wilson vs. Rousseau, 4 How., 243-248.
250, 251.

Rubber Co. vs. Goodyear, 9 Wall. 799-800.

Ingals vs. Tice, 13 Fed., 297.

II *Robinson on Patents*, §§ 758-763, 818-823.

III Rob. Pat., §§ 861, 915, 938, n. 7, 942,
n. 3, citing Hill vs Whitcomb, 5 O. G.,
944, n. 4; 975, 1095, n. 1; 1098, 1099,
4 nn; 1243, 1246.

Ball vs. Siegel, 4 N. E., 668.

Ex parte Shaw, 12 S. C. Rep., 936.

S. W. B. E. Co. vs. La. E. T. Co., 15 Fed.,
893.

Story Eq. Pl., 153.

I Estee, Pl. and F., § 164, p. 84.

